

REMARKS

Claims 1, 4-9, 11-16, 24-27, and 29-34 are pending in the present application. The Claims currently stand rejected as allegedly being obvious over U.S. Patent No. 5,471,669 (hereinafter “Lidman”) in view of U.S. Patent No. 5,056,019 (hereinafter “Schultz”). Applicants have amended the claims to specify that a network of merchants are registered with the rebate network manager. Support for this amendment is found at page 20, lines 15-20 of the specification, among other places. These amendments have been made in order to further the business interests of the applicants and in no way constitute an admission that the claims as originally filed are not patentable. Applicants reserve the right to prosecute the claims as originally presented in a future continuing application. Finally, while new arguments are presented below, Applicants reassert their previously made arguments in order to reserve them appeal, if necessary.

A *prima facie* case of obviousness requires the Examiner to cite a combination of references which (a) disclose the elements of the claimed invention, (b) suggests or motivates one of skill in the art to combine those elements to yield the claimed combination, and (c) provides a reasonable expectation of success should the claimed combination be carried out. Failure to establish any one of these three requirements precludes a finding of a *prima facie* case of obviousness, and, without more, entitles Applicant to allowance of the claims in issue.¹ In addressing this rejection, Applicants focus on the independent claims since non-obviousness of an independent claim necessarily leads to non-obviousness of claims dependent therefrom.² However, in some instances, Applicants also discuss features of the dependent claims such as claim 9 and request separate consideration of those claim elements. Applicants also present herein evidence relating to the secondary consideration of obviousness, which are addressed in more detail below.

¹ See, e.g., *Northern Telecom Inc. v. Datapoint Corp.*, 15 USPQ2d 1321, 1323 (Fed. Cir. 1990).

² §MPEP 2143.03.

A. The cited references do not teach each element of the claims

As amended, the claims require that registered merchants are registered with the rebate network manager. As described in the specification at page 20, lines 22:

In particularly preferred embodiments, the selected On-Line Merchant 420 will be registered with a Rebate Network Manager 430. The present invention contemplates that the Rebate Network Manager 430 monitors the sales of its Registered On-Line Merchants 420. When a registered merchant consummates a sale of goods or services with a Registered Member 400, the Rebate Network Manager debits the account of the Registered On-line Merchant 420, based on an existing formula, and calculates the rebate due the Registered Member 400.

As can be seen from this passage, which describes a preferred embodiment of the claimed invention (i.e., the claims are not limited to the preferred embodiment unless otherwise noted), describes the functional interrelationship of the registered merchant, registered member and rebate network manager in calculating the rebate due to the registered member. Thus, the Examiner's statements in paragraph 6 of the office action are traversed and the claim limitations of registered member and registered merchant are entitled to patentable weight.

Importantly, neither Lidman nor Schultz teaches a **network of merchants offering rebates** registered with a rebate network manager. In paragraph 4 of the Office Action, the Examiner states that a participating merchant (store with a cash register) reads on registered merchant and that the rebate network manager is a cash register and clearinghouse. The presently claimed invention differs from this system because the rebate network manager is a separate from the merchant (as admitted by the Examiner in paragraph 7). This necessitates registry of the merchant with the rebate network manager so that sales by the merchant can be monitored. As established by the Declaration of Michael Thompson, this system is fundamentally different from the coupon-based system of Lidman:

The Examiner alleges that the cash register 110 and clearinghouse 30 of Lidman provide a Rebate Network Manager as claimed. This is not the case. The clearinghouse does not correlate purchases made by registered members from merchants belonging to a network with rebates offered by the merchants in the network. The clearinghouse merely serves to reimburse the merchant for the amount of coupons offered by a manufacturer. Column 4, lines 54-57 of the Lidman patent. There is no correlation of purchases by customers and no network of merchants registered with a Rebate Network Manager. Likewise, the cash register does not correlate purchases made by registered customers from merchants belonging to a network with rebates offered by the merchants in the network. There is no correlation function and no network of merchants registered with a Rebate Network Manager. Thus, neither the cash register nor the clearinghouse, alone or combined, provides the functions of the Rebate Network Manager as claimed.

Schultz does not cure this deficiency. In paragraph 7, the Examiner cites Schultz for the proposition that the computer processor is located at a location other than the merchant, which allows the invention to service multiple retail outlets. In the Schultz system, the **merchants offering rebates** are not registered with the alleged rebate network manager. Indeed, the Schultz system is for incentives offered by manufacturers –

“Manufacturers are solicited to provide incentive rewards for purchases of specific quantities of their products.” Column 4, lines 56-58.

“The manufacturers of the participating products are invoiced for their portion of the rewards earned.” Column 5, lines 20-22.

As established in the Thompson Declaration, merchants and manufacturers are distinct:

In the TuitionFund system, merchants register with a central Rebate Network Manager that correlates purchases made from merchants belonging to a network with rebates offered in conjunction with the purchases. The Rebate Network Manager does this by monitoring sales of merchants registered with the Rebate Network Manager. Thus, the TuitionFund system is a merchant based incentive system, not a manufacturer based incentive system. I note that merchants and manufacturers are distinct entities. Webster’s Online Dictionary defines merchant as “the operator of a retail business.” Manufacturer is defined as “one that manufactures; especially: an employer of workers in manufacturing.”

As further established in paragraph 6 of the Thompson Declaration:

... Schultz teaches a system for incentives offered by manufacturers, not merchants. Thus, there is no network of merchants offering a rebate that utilize a Rebate Network Manager and there is no function of correlating purchases made by customers with rebates offered by the merchants in the network.

Thus, neither Schultz not Lidman teach a system where a network of merchants offering rebates are registered with a rebate network manager that, as claimed, monitors sales by the register merchant to determine if a rebate offered by the merchant is due to a registered member.

Furthermore, the Applicants respectfully submit that in rejecting the claims over the combination of Lidman and Schultz, the Examiner has failed to consider the invention as whole as required by the Federal Circuit. See, e.g., MPEP 2141.02. In particular, the Examiner appears to allege in the present case that the claimed function of the rebate network manager (e.g., monitoring sales from network of registered merchants and calculating a rebate per claim dependent, located at a different site per claim 1 and debiting a merchant account and crediting a higher education per dependent claim 9) can be satisfied by separate entities (i.e., a cash register and a coupon clearinghouse). As established in the Declarations, at least part of the problems solved by the presently claimed invention (and thus advantages over prior art systems) are due to the use of the Rebate Network Manager to perform multiple functions. In other words, the consolidation of functions in the Rebate Network Manager is part of the invention as a whole and renders the invention patentable over the cited prior art. Therefore, even if the cited references did provide all of the elements of the claimed invention (and Applicants strongly urge that the references do not), the claims are still patentable.

In *Fromson v. Advance Offset Plate, Inc.* 755 F.2d 1549, 225 USPQ 26 (Fed. Cir. 1985), the Federal Circuit reversed the district court's holding of invalidity as to the process claimed in the patent suit. The patentee claimed a process that combined a series of individual steps known in the art into a single process. The district court held that the process was merely an obvious combination of old steps. The Federal Circuit did not agree, stating that "the critical inquiry is whether 'there is something in the prior art as a whole to suggest the desirability, and thus the obviousness of making the combinations.'" *Id.* at 1556, 225 USPQ at 31. "Where, as here nothing of record plainly indicates that it

would have been obvious to combine previously separate process steps into one process, it is legal error to conclude that a claim to that process is invalid under §103.” *Id.* Nothing in the cited references indicates the desirability of consolidating the functions of the Rebate Network Manager in a single entity.

Thus, there is no motivation to modify Schultz or Lidman to provide the claimed system as discussed in more detail Section B. Indeed, as established in Section C below, secondary considerations of non-obviousness strongly support a finding that the claimed invention is non-obvious and that those of skill in the art would not have been motivated by the cited prior art (or any other prior art) to provide the claimed system. Accordingly, the claims should be allowed.

B. No motivation to combine or modify the references

In order to establish a prima facie case of obviousness, the Examiner must establish that there is a motivation to combine or modify the references. The only reasoning regarding motivation to combine or modify offered by the Examiner is the following from paragraph 7: “Because Schultz et al. teaches that this [computer processor located separate from merchant] allows the invention to service multiple retail outlets of different retail chains, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to add the teachings of Schultz et al. to those of Lidman.” However, as noted in the Thompson Declaration and argued in previous responses, Lidman is a coupon based system. Given this limitation, there is no reason to use the processor Schultz with Lidman. Indeed, it is established law that there is no suggestion to combine or modify “if the reference teaches away from its combination with another source.” *Tec Air, Inc. v. Denso Manufacturing Michigan, Inc.*, 192 F.3d 1353 (Fed. Cir. 1999). Schultz teaches away from combination with coupon based systems at column 2, lines 35-50, among other places, for example, by teaching various problems with coupon based systems. Importantly, Schultz does not teach that its methods are for use with coupon based systems. Thus, the references cannot be properly combined.

C. Secondary considerations of non-obviousness establish patentability of the claims

Applicants respectfully submit that consideration of secondary considerations of nonobviousness, as established by the Declarations submitted herewith, establishes that the claims are not obvious. The Federal Circuit has held that:

Under *Graham*, objective evidence of non-obviousness includes commercial success, longfelt but unresolved need, failure of others, and copying. When present, such objective evidence must be considered.

Custom Accessories, Inc. v. Jeffrey-Allan Industries, Inc., 807 F.2d 955, 1 USPQ2d 1196 (Fed. Cir. 1986). Indeed:

To determine whether an invention would have been obvious in light of the prior art requires one to compare the claimed ‘subject matter as a whole’ with the prior art ‘to which [the] subject matter pertains.’ . . . This comparison, however, only provides part of the relevant evidence. One must also examine the relevant historical facts and circumstances related to the claimed invention, such as commercial success, which tend to make it more probable than not that the subject matter of the invention would have been obvious. . . . [O]bjective evidence of nonobviousness, when present, are invariably relevant to the determination under section 103. . . . Objective considerations may often be the most probative and cogent evidence of nonobviousness in the record.”

Litton Systems, Inc. v. Honeywell, Inc., 87 F.3d 1559, 39 USPQ2d 1321 (Fed. Cir. 1996). Furthermore:

The consideration of the objective evidence presented by the patentee is a necessary part of the obviousness determination. . . . The objective evidence of non-obviousness may be used to rebut a prima facie case of obviousness based on prior art references.

WMS Gaming, Inc. v. International Game Technology, 184 F.3d 1339, 51 USPQ2d 1385 (Fed. Cir. 1999). Thus, objective evidence of nonobviousness must be considered and it can be used to rebut a prima facie case of obviousness.

Applicants have submitted herewith the Declarations of several merchants who utilized the claimed system (please note that 4 of the 8 Declarations are by the same individual in his capacity as advertising manager for several different car dealerships). As established in these Declarations and the Declaration of Michael Thompson, the claimed system addresses the following longfelt needs:

[T]here is no other system previously or currently available in which a merchant such as myself can directly offer a purchase incentive such as a rebate on total purchases that is administered by a Rebate Network Manager like CCI, Inc. The TuitionFund system offers substantial advantages over coupon based incentive systems and incentive systems offered directly by manufacturers. First, the system operates in the background so my retail sales employees do not have to accept and process coupons presented by customers. Second, the system is easy for customers to participate in because they do not have to save and present coupons or mail-in rebates. Third, the system allows a merchant such as myself to directly develop customer loyalty to retail sales outlets without relying on manufacturer incentives and without relying on the manufacturer to honor offered incentives. Fourth, the system allows rebates on total purchases of multiple products as opposed to rebates on particular products from a particular manufacturer.

Further, as indicated by the merchants, there was a high level of enthusiasm for the claimed system by consumers they had contact with.

The commercial success of the system is established by the high level of participation from both consumers and merchants. As established in the Thompson Declaration, during the trial of the system:

[O]ver 9000 customers, 236 brick and mortar merchants and 645 on-line merchants registered with TuitionFund. This strong response over a short period of time certainly indicates the success of the system and the need for such a system.

In order to establish nonobviousness by the secondary considerations, there must be a nexus between the factors and the claimed invention:

To be pertinent to the issue of nonobviousness, the commercial success of devices falling within the claims of the patent must be flow from the functions and advantages disclosed or inherent in the description in the specification.

In re Vamco Machine & Tool, Inc., 752 F.2d 1564, 224 USPQ 617 (Fed. Cir. 1985).

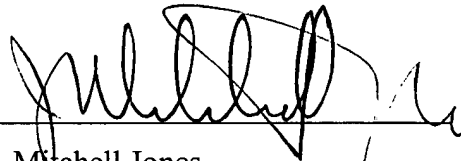
Such a nexus is clearly established in the present case as the advantages and solutions identified in the Declarations are directly linked to the claimed invention, and in particular to the claimed use of the rebate network manager in conjunction with a network of merchants offering rebates as opposed to manufacturers offering rebates.

Based on the above considerations, Applicants respectfully submit that the claimed invention is not obvious in light of the prior art and request that the claims be passed to allowance.

CONCLUSION

All grounds of rejection of the Office Action of October 8, 2004 have been addressed and reconsideration of the application is respectfully requested. It is respectfully submitted that Applicant's new claims should be passed into allowance. Should the Examiner believe that a telephone interview would aid in the prosecution of this application Applicant encourages the Examiner to call the undersigned collect at (608) 218-6900.

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